

Message Text

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ACTION XMB-04

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FM AMEMBASSY ASUNCION

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INFO AMEMBASSY BRASILIA

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ALSO PASS EXIMBANK

E.O. 11652: N/A

TAGS: ENRG, PA

SUBJ: ITAIPU HYDROELECTRIC PROJECT PROGRESS REPORT

1. SUMMARY: WORK ON THE ITAIPU HYDROELECTRIC PROJECT, THE LARGEST IN THE WORLD, IS WELL IN TRAIN AND ON SCHEDULE. 1977 WILL BE THE KEY YEAR BOTH FOR THE PROJECT ITSELF AND FOR U.S. INTERESTS SINCE NEGOTIATION OF CONTRACTS FOR TURBINES AND GENERATORS IS TO BE COMPLETED DURING THE YEAR. FOR U.S. FIRMS TO OBTAIN SHARE OF 500 MILLION ORDER, COMPETITIVE FINANCING TERMS, PROBABLY FROM EXIMBANK, WILL BE ESSENTIAL.

END SUMMARY.

2. THE ITAIPU BINACIONAL ENTITY IS STARTING 1977, THE KEY YEAR FOR THE CONSTRUCTION OF THE MAMMOTH HYDROELECTRIC PROJECT, IN GOOD CONDITION. FEARS THAT FINANCIAL CONSTRAINTS OF THE BRAZILIAN GOVERNMENT MIGHT FORCE DELAYS IN THE PROJECT WERE ALLAYED AS APPROVAL WAS GIVEN BY POLITICAL OFFICIALS TO THE 1977 BUDGET PREPARED BY THE TECHNICIANS. IN ADDITION, ALL CONSTRUCTION IS EITHER ON TIME OR SLIGHTLY AHEAD OF

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SCHEDULE. SOME INFRASTRUCTURE HAS BEEN COMPLETED, AND SUBSTANTIAL PROGRESS HAS BEEN MADE IN THE CIVIL WORKS ON BOTH SIDES OF THE BORDER, AND ON THE EXCAVATION OF THE DIVERSION CANAL. THE ENTITY HAS ALREADY PROCURED MUCH OF ITS SMALLER EQUIPMENT (TRUCKS, EARTH-MOVING RIGS, ETC.) AND HAS ISSUED A CALL FOR BIDS TO SUPPLY ROCK-CRUSHING EQUIPMENT. THE PLANS FOR 1977 CALL FOR CONTINUED EXCAVATION,

THE CONSTRUCTION OF THE CONCRETE STRUCTURE TO HOUSE CONTROLS FOR THE DIVERSION CANAL AND OF THE COFFER DAMS, AND THE SIGNING OF CONTRACTS FOR THE SUPPLY OF ELECTRO-MECHANICAL EQUIPMENT.

3. WITH RESPECT TO THE ELECTROMECHANICAL EQUIPMENT, WHICH IS EXPECTED TO COST A BILLION DOLLARS, INCLUDING ABOUT 500 TO 550 MILLION FOR THE GENERATORS AND TURBINES, THE BINACIONAL ENTITY IS NEGOTIATING WITH FOUR CONSORCIA: (1) TRANS CONTNENTAL, WHICH INCLUDES MOST OF THE EUROPEANS SUCH AS BROWN BOVARI, AND SIEMENS, AND THEIR BRAZILIAN CONNECTIONS; (2) WESTINGHOUSE, ALLIS CHALMERS, GIE OF ITALY AND COEMSA OF BRAZIL; (3) GENERAL ELECTRIC OF BRAZIL AND OF CANADA WITH DOMINION; AND (4) THE JAPANESE. ON JANUARY 4, THE CONSORCIA WERE GIVEN TECHNICAL SPECIFICATIONS, WITH A REQUEST TO PRESENT THEIR OFFERS BY APRIL 13 OR 14. THE OFFERS ARE TO PROVIDE INFORMATION ON DESIGN, TIMING, AND MANUFACTURING PLAN (INCLUDING PERCENTAGE OF DOMESTIC AND IMPORTED COMPONENTS AND PROGRAM FOR INCREASING DOMESTIC PARTICIPATION). ON JANUARY 20, ITAIPU WILL PROVIDE THE COMPANIES WITH SPECIFICATIONS ON GENERAL CONDITIONS, INCLUDING FINANCIAL, LEGAL, TEXT OF CONTRACTS, ETC. COMPANIES ARE TO RESPOND BY MID-MAY. ENTITY HOPES TO FINISH NEGOTIATIONS AND SIGN CONTRACTS BY THE END OF 1977. THE BINACIONAL ENTITY WOULD PREFER TO SPLIT THE ORDER AMONG TWO OR MORE OF THE GROUPS, BUT IS KEEPING ALL OF ITS OPTIONS OPEN. OFFICIALS HAVE CLEARLY STATED THAT COMPANIES ARE TO ARRANGE FINANCING FOR THE EQUIPMENT AND IT IS CLEAR THAT CREDIT TERMS WILL

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BE AN IMPORTANT ELEMENT IN ACCEPTANCE OF OFFERS.

4. ACTION REQUESTED: IN VIEW OF THE MID-MAY TIMING FOR RECEIPT OF FINANCING TERMS, EMBASSY RECOMMENDS EARLIEST POSSIBLE CONSIDERATION BY EXIMBANK OF PROPOSALS FOR FINANCING U.S. EQUIPMENT. EMBASSY EXPECTS THERE WILL BE EXTREMELY STRONG COMPETITION FROM EUROPEANS AND JAPANESE WITH RESPECT BOTH TO COST OF EQUIPMENT AND TO FINANCING TERMS.

BRIGGS

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Message Attributes

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